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SUBJECT: SENEGAL AGOA - INPUT FOR 2007 PRESIDENT'S REPORT

REF: STATE 022438

¶1. Following is embassy's input on Senegal for the 2007 President's report on AGOA keyed to the template outlined in reftel and last year's report as published by USTR. This text has also been provided to AF/W and AF/EPS via e-mail.

¶2. Begin embassy input:

MARKET ECONOMY/ECONOMIC REFORM/ELIMINATION OF TRADE BARRIERS: Senegal's economy is largely market-based but has suffered from stagnation due serious declines in fishing, phosphate exploitation, and petroleum refinement activity -- traditionally three of the country's largest contributors to GDP. The current situation, based largely on agriculture, public investments directed by the top levels of government, consumption, and foreign assistance, does not bode well for productivity or GDP growth in the near term. In late 2006, Senegal approved an Accelerated Growth Strategy aimed at achieving at least a 7.5 percent growth rate by 2010, targeting the agro-industry, fisheries, tourism, textile, and information technology sectors. Foreign investors face an unstable regulatory environment and weak commercial law enforcement due to a lack of resources and specialized judicial expertise. Firms providing goods and services to government entities frequently complain of delays in payment. Senegal is a member of the International Center for the Settlement of Investment Disputes under the Washington Convention. The Government accepts binding foreign arbitration of investment disputes and foreign creditors receive equal treatment in making claims against liquidated assets under Senegalese bankruptcy law. The Senegalese Civil Code provides national treatment and non-discrimination against foreign-owned businesses' property rights. Senegal's Agency for Export Promotion (ASEPEX), has yet to make a significant impact expanding the country's trade linkages. In November 2006, the U.S. Mission to Senegal participated in the biannual Dakar International Trade Fair (FIDAK) by highlighting trade opportunities available to Senegalese producers under AGOA. The Dakar office of the USAID-funded West Africa Trade Hub has been especially active in targeting increased regional and international exports for Senegal's seafood and specialty foods. The Hub also provides services to potential buyers via a database of West African exporters.

POLITICAL PLURALISM/RULE OF LAW/ANTI-CORRUPTION: Senegal is a vibrant democracy with no history of coups d'etat or military government. In February 2007, President Wade was re-elected to a new, five-year term through an electoral process widely considered a fair reflection of the voters' wishes. In the southern Casamance region, low-level, occasionally violent, separatist activity continues despite the signing of a truce in December 2004. Senegal is a signatory to the UN Anti-Corruption Convention. However, corruption remains a counter-productive reality in Senegal, despite some recent measures passed by the Government to strengthen rule of law, transparency and anti-corruption programs. Through its Financial Intelligence Unit, Senegal's Government is creating a potentially useful anti-money laundering framework.

POVERTY REDUCTION: In April, 2006, Senegal's completed its latest

IMF program, and, as of early 2007, discussions on a possible follow-on program had not yet begun. The Government of Senegal has outlined anti-poverty allocations from USD 138 million in bilateral and multilateral debt relief. However, a historic lack of public expenditure reviews makes tracking actual anti-poverty spending difficult. Senegal is continuing feasibility studies for a proposed MCC compact to build a commercial/industrial platform 25 miles east of Dakar. This ambitious, potentially transformative project is designed to promote economic growth and alleviate congestion in the capital, where 80 percent of Senegal's industry is based.

LABOR/CHILD LABOR: Senegal has ratified all eight of the ILO core labor rights conventions including Convention 138 on minimum age and 182 on the worst forms of child labor. Although freedom of association and the right to strike are recognized, many restrictions remain, including the right to strike. By law all workers, except for security forces, can form and join unions. Collective bargaining agreements were negotiated and are generally upheld. In the rural areas there was no enforcement of child labor laws and children are involved in the worst forms of child labor in the mining and rock quarry sectors. The Government generally respected its citizens' rights but there were problems in some areas. The Government made some improvements during the year. In April 2005, the National Assembly passed a law prohibiting human trafficking, and two Senegalese citizens were prosecuted for trafficking in 2006. The ILO is working with the Senegalese Government and civil society in support of Senegal's Timebound Program on the Elimination of the Worst Forms of Child Labor.

JACOBS